

2002 Annual Report

Swiss Water® Decaffeinated Coffee Income Fund



SWISS WATER®
PROCESS

FUND PROFILE

The Swiss Water® Decaffeinated Coffee Income Fund is a limited purpose open-ended trust created to acquire and hold the securities of Swiss Water® Decaffeinated Coffee Company, Inc. ("Swiss Water®").

COMPANY OVERVIEW

Headquartered in Burnaby, British Columbia, Swiss Water® is one of the world's few chemical-free green coffee decaffeimators. Ours is the only organically certified coffee decaffeination process in North America. As the sole branded decaffeination method, the Swiss Water® Process enjoys substantial recognition in the specialty coffee trade and with consumers.

Our business strategy has four key elements:

- build consumer demand for the 100% chemical-free Swiss Water® Process brand
- promote the higher margin opportunity inherent in Swiss Water® Process decaffeinated coffees to retailers
- build volume in the higher margin independent coffee house segment
- pursue strategic acquisitions

With the ongoing expansion of the specialty coffee market, favourably shifting demographics, and a product that imparts valuable benefits to both coffee retailers and consumers, Swiss Water® is well positioned for future growth.

FACILITIES

We operate the world's only Swiss Water® Process plant in the Vancouver suburb of Burnaby, B.C.

PRODUCTS

Swiss Water® decaffeimates customer-owned coffees, including organically certified coffees, for a toll fee. We also purchase high-quality green coffees from more than 10 different countries, decaffeinate them and then market them to the green coffee trade.

CUSTOMERS

Swiss Water® Process decaffeinated green coffee is sold to many of North America's leading specialty roaster retailers, specialty coffee brokers and high-quality commercial coffee roasters. We also serve markets in the United Kingdom, Japan and Australia.

Swiss Water® has established long-term customer relationships with many well-known companies, including Second Cup, Kraft Foods, Starbucks, Tim Hortons, Diedrich Coffee, Nabob Coffee Co. and President's Blend.

Approximately 60 per cent of our revenue comes from the United States, 30 per cent from Canada, and the balance from international markets.

Financial Highlights

For the period

July 24, 2002
to December 31, 2002

(\$ thousands except per unit amounts)

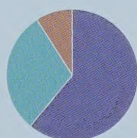
OPERATIONS

Sales	\$ 11,084
Operating Income (EBITDA)	4,170
Net income	3,186
<i>Net income per unit</i>	0.58

DISTRIBUTABLE CASH AND DISTRIBUTIONS

Distributable cash generated	\$ 3,817
Distributable cash @ 90%	3,435
Distributions, paid or payable	3,131
Distributable cash generated per unit	0.70
<i>Distributable cash generated per unit @ 90% pay-out</i>	0.63
<i>Distributions declared per unit</i>	0.57

- Recorded 12% year-over-year volume sales growth
- Generated distributable cash of \$3,816,679, or \$0.70 per unit
- Distributed \$0.57 per unit, in line with target of \$1.30 per unit on annualized basis
- Signed co-branding agreements with Seattle's Best Coffee and Diedrich's Coffee
- Signed agreements with several major accounts, including Coffee Bean and Tea Leaf, and Caffé Nero
- Completed multi-part capital investment strategy to boost productivity and capacity



Revenue by Geography

USA	61%
Canada	30%
International	9%



Revenue by Customer Segment

Coffee Brokers	51%
Commercial Roasters	40%
Roaster Retailers	9%

To our Unitholders



We are pleased to present the first annual report of the Swiss Water® Decaffeinated Coffee Income Fund and to welcome our new unitholders. This report discusses the key initiatives we undertook during 2002, our financial results for the five-month period from the Fund's inception to the year-end, and our long-term strategies for continued success.

One thing that distinguishes Swiss Water® from many other income funds is our 10% distribution holdback policy. These funds are re-invested in our business through capacity capex, business growth initiatives, or by paying down debt. By distributing only 90% of our distributable cash each month, we retain the ability and resources to continue enhancing our performance.

For the period from July 24, 2002 to December 31, 2002, Swiss Water® generated revenues of \$11.1 million and net income of \$3.2 million, or \$0.58 per unit. Gross profit for the period totalled \$5.9 million, or 53.6% of our sales. We also met all of our distribution targets, generating distributable cash of \$3.8 million, or \$0.70 per unit.

In keeping with the Fund's policy, distributable cash available to unitholders was 90% of the \$0.70 per unit earned, or \$0.63 per unit. Actual cash distributions of \$0.57 per unit, or \$0.11

each month, were declared, which is equivalent to \$1.30 per unit on an annualized basis. The surplus \$0.06 per unit reflects this period's strong seasonality. It will be accumulated to offset expected shortfalls in less active quarters through the coming year.

A YEAR IN REVIEW

When we embarked on our Initial Public Offering last summer, we told potential investors how we intended to grow our company's sales. The four key elements of that business strategy were:

- building consumer demand for the Swiss Water® Brand
- educating retailers about the higher margin opportunity inherent in Swiss Water® process decaffeinated coffees
- building sales within the higher margin independent coffee house segment, and
- pursuing strategic acquisitions.

During 2002, we made significant progress against each of these objectives. More importantly, we boosted sales for the third consecutive year – growing our year-over-year sales volumes by 12%.

THE OPPORTUNITY

Two key trends are driving demand for Swiss Water® decaffeinated coffees. The first is the rapid expansion of the “specialty coffee” market. Defined as “premium coffee sold in grocery stores, and the premium coffee beverages and whole bean coffee sold in specialty shops”, this

market segment rang up \$10.7 billion in U.S. sales during 2001, an increase of 38% over 2000.

At the same time, a growing realization that we truly “are what we eat” has consumers clamouring for healthier food choices. Organic foods have never been more popular. Soy-based beverages, once relegated to health food stores, are now enjoying mainstream acceptance. Meanwhile, a certain fast food giant is bleeding red ink for the first time in its 47-year history.

Burgers and fries aren’t the only items being trimmed from our diets. More people have also decided to cut back on caffeine, particularly among the fast-growing “40+” age group. Together, these two trends have given birth to a new, and growing, market – health-conscious consumers who want to limit their caffeine intake, but don’t want to give up the sensory pleasures that come with a fresh hot cup of premium quality coffee.

As the only organically certified coffee decaffeination process in North America, and one of the world’s few chemical-free green coffee decaffeinator, Swiss Water® is well positioned to benefit from this growing trend.

BUILDING CONSUMER DEMAND

The key to our sales growth lies in getting our message out. While the Swiss Water® brand already enjoys considerable recognition, the fact is, most decaffeinated coffee drinkers don’t realize the majority of our competitors use solvents like methylene chloride or ethyl acetate to decaffeinate their coffees. That’s why one of our primary sales strategies is communicating our “100% chemical free” message directly to our target market – the “exclusive” decaf coffee drinkers who account for more than 70% of decaffeinated coffee consumption.

One of our most successful brand-building strategies has entailed training our sights on specific geographic markets. In 2002, after initiating a focused brand development campaign in the Pacific Northwest region of the U.S., we:

- added nine new customers to the region’s client roster
- grew year-over-year sales volumes in the region by 19%
- grew regional awareness of our brand by 71% within our target market.

We’ve also built brand equity through a number of “co-branding” agreements that see our trademark placed onto our customers’ decaffeinated coffee packaging. By teaming up, both parties profit. Our customers differentiate themselves from the competition, and Swiss Water® gains valuable consumer exposure.

One of our largest co-branding partners is Tim Hortons. The Swiss Water® logo is now displayed at the chain’s 2,200 restaurants and on their grocery packaging. We’ve also forged new co-branding agreements with two premium roaster-retailers. Beginning early in 2003, our trademark will adorn Seattle’s Best Coffee and Diedrich’s Coffee grocery packaging.

We believe co-branding partnerships like these will grow in importance, as more specialty coffee companies extend their market reach through grocery store distribution. This channel is increasingly important, as grocery store and mass-merchant sales now account for more than 75% of all retail roasted coffee volume sold in the United States.

ADDING CUSTOMER VALUE

In addition to building consumer demand for the Swiss Water® brand, we're committed to strengthening our customer relationships. In 2002, we worked to develop strong ties with the independent coffeehouse segment, enhancing our regional street representation so we could visit more specialty coffee retailers, more often. This "high touch" sales strategy gives us a distinct advantage over many of our European-based competitors, and is a very effective way to demonstrate the higher margin opportunity inherent to our product.

Independent research shows that consumers recognize the value of the Swiss Water® 100% chemical-free proposition – and don't mind paying a little bit more for it. That means retailers can boost margins on Swiss Water® Process decaffeinated coffees, without losing sales.

Moving forward, we intend to continue delivering superior customer service. To prepare for our upcoming fiscal year, we:

- strengthened our senior management team with the addition of a highly experienced V.P. of Sales
- refined our marketing initiatives to better support current customers and improve product launches with new customers
- laid the groundwork for regional street sales development in Northern California.

We're confident these initiatives will continue to promote the development of the Swiss Water®

brand, pay dividends for our customers, and support our track record of stable, long-term volume growth.

GROWING OUR CUSTOMER BASE

Building brand awareness and adding customer value is enhancing our ability to win new accounts. In 2002, Swiss Water® signed agreements with several new customers, including:

- Coffee Bean & Tea Leaf, a 210-store account based in Southern California
- Caffé Nero, a 120-store account based in the United Kingdom.

Both roaster retailers will start carrying Swiss Water® Process decaffeinated coffees in the spring of 2003.

IN PURSUIT OF PERFECTION

In terms of product quality, our goal is nothing less than absolute perfection – a decaffeinated coffee that is indistinguishable from its caffeinated counterpart. Because product quality is a function of process quality, we implemented 22 separate facility enhancement projects during 2002 – a new plant record.

The most important of these conquered a recurring issue known as "process foaming." Caused by excess dust and debris that isn't removed from the coffee beans during milling, process foaming negatively impacts product quality and our yields. In 2002, it became a growing concern, as world coffee prices plummeted, origin mills tried to improve their yields, and "dirty" coffees became increasingly common. An elegant, low-cost engineering solution virtually eliminated this problem, resulting in more consistent product output and better overall flavour retention.

This productivity improvement project, and others like it, enabled us to:

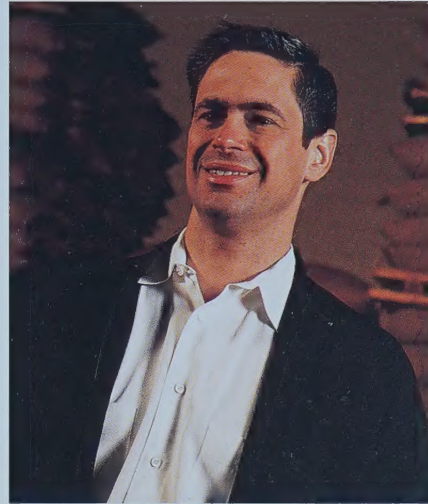
- reduce our variable operating costs by more than 11%
- grow plant capacity by 20%
- improve coffee quality and yields.

The final, and core, element of our capacity expansion – the installation of a new coffee bean dryer – is already underway. We expect to see strong returns on this investment almost immediately, through expanded plant capacity, improved product quality and better yields.

OUTLOOK

If 2003's early successes are any indication, the next 12 months should be very positive. New accounts signed during 2002 are now coming on line, boosting our sales volumes and increasing brand exposure. We're building on our sales success in the Pacific Northwest and rolling out our new regional development campaign in Northern California. And our various brand-building strategies are driving consumer demand to new heights. Accordingly, we expect to generate solid top-line growth during the coming year.

Two issues we'll continue to monitor are the Canadian exchange rate (a stronger dollar may affect cross-border sales) and rising natural gas prices. While these kinds of cost increases are difficult to pass on, we're confident we can absorb them within the normal parameters of our conservative operating budget – particularly in light of our 10% holdback policy.



In closing, I'd like to thank all of our unitholders for your ongoing support. We look forward to meeting our commitments to you during 2003.

On behalf of the Board of Trustees,

A handwritten signature in blue ink, appearing to read 'Frank A. Dennis'.

Frank A. Dennis
Trustee

President and CEO
Swiss Water® Decaffeinated
Coffee Company Inc.

It's All About Building Our Brand

For Swiss Water®, building brand awareness is the key to growing our market share. Our research shows that most decaf-only coffee drinkers prefer chemical-free decaffeinated coffee – even if it costs a little more. But not everybody realizes they have a choice. That's why our key strategy is to target consumers directly. Because we know that once decaf coffee drinkers become familiar with the Swiss Water® 100% chemical-free proposition, they'll ask for us by name.

WINNING THE DECAF COFFEE DRINKER

To ensure we're speaking directly to our potential consumers, we conducted exhaustive research to define our target market.

Results showed the typical decaffeinated coffee drinker:

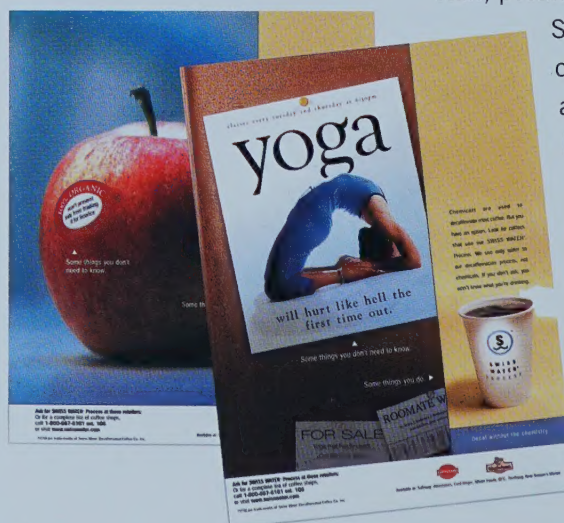
- is more than 40 years old
- demonstrates greater health-awareness than the average consumer
- is committed to attaining the highest possible quality of life
- wants to consume more “good-for-you” foods
- is a coffee lover who wants to limit caffeine intake.

The research also pinpointed several niche markets. Pregnant women, for instance, often switch to decaffeinated coffee – and remain loyal to the product after they give birth. In addition, we discovered that many decaf coffee drinkers engage in moderate exercise programs such as yoga, walking, or gardening.

Using this data, we developed a series of print advertisements that



delivered a simple message: “Not all decaffeination processes are alike”. Then we placed the ads where they were most likely to be seen by our target audience – in consumer magazines like “Baby Talk”, “Yoga Journal” and “Health and Fitness”. The ads are getting noticed. In the Pacific Northwest region of the U.S., they helped us grow awareness of our brand within our target market by 71%.



GOING STRAIGHT TO THE SOURCE

In early 2002, we implemented a “street level” marketing campaign to build brand awareness at the source – the specialty coffee houses where Swiss Water® decaffeinated coffee is sold. For maximum impact, we targeted the consumer on several levels, educating our customers’ front-line staff, posting branded visuals like

Swiss Water® window clings, and developing a consumer-oriented information card. By using a variety of cost-effective methods to spread our message, we’re reaching more people – and generating more sales.

TARGETING THE PACIFIC NORTHWEST

To ensure the solid execution of our sales strategies, we're focusing our efforts on specific regional markets. In 2001, we implemented an intense marketing campaign to build brand recognition in the Pacific Northwest region of the U.S., the birthplace of the specialty coffee revolution. By narrowing our geographic focus, we were able to tailor our message to a distinct audience, achieve strong market penetration and get the most from our resources.

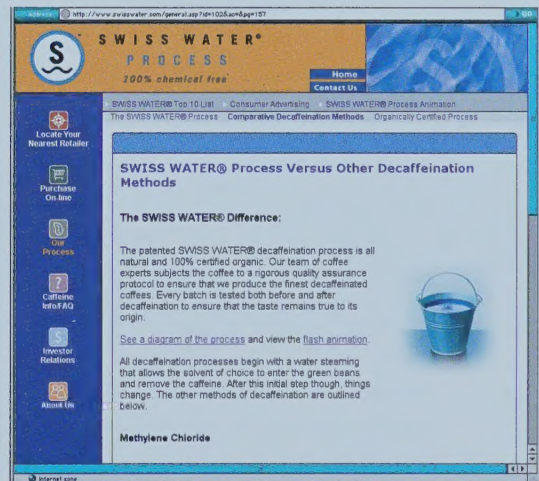
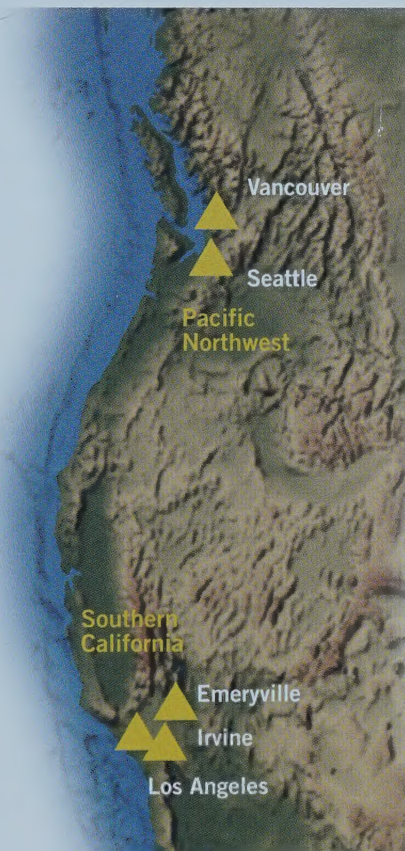


To build sales in the region, Swiss Water®:

- hired a dedicated regional sales representative to build customer relationships
- expanded our web site to add more consumer information, including where to find Swiss Water® decaffeinated coffees
- incorporated our targeted print advertisements into the campaign.

The print ads, which ran in local consumer magazines, succeeded in two ways – increasing brand

awareness and directing consumers to the specialty retailers that carry Swiss Water® decaffeinated coffee. The results speak for themselves. In 2002, we recorded year-over-year sales growth of 19% for the region.



THE SWISS WATER® DECAFFEINATION PROCESS

Create flavour-charged water by soaking top-quality unroasted green coffee in hot water to draw out the caffeine and flavour essences.

Filter caffeine from flavour-saturated water.

Immerse fresh green coffee beans in the flavour-saturated, caffeine-free water. 97% of caffeine is removed.

Result: rich, full-flavoured coffee, free of chemicals and caffeine.



DEBUNKING THE DECAF MYTH

Many people still believe decaf coffee is a watery drink that “true” coffee lovers would never consume. In fact, the patented organically certified Swiss Water® Process, together with our strict quality controls, ensure the coffee beans we decaffeinate retain their essential character. So Sumatran beans taste just as earthy and syrupy, and Columbian beans remain just as smooth, sweet and mild. That’s especially important for decaffeinated coffee drinkers, because it’s coffee’s good taste – and not the caffeine – they desire.

One of our newest, and fastest-growing, decaffeinated coffees is our own Premium Espresso Blend. It’s been a welcome addition to the Swiss Water® line-up, positioning us to capitalize on strong consumer demand for a high-quality decaf espresso. In 2003, we’ll continue to expand our product list, adding a certified organic and a Mexican

decaf to our roster. By offering a wide variety of decaffeinated coffees, we can appeal to a wide range of tastes – and grow our market share.

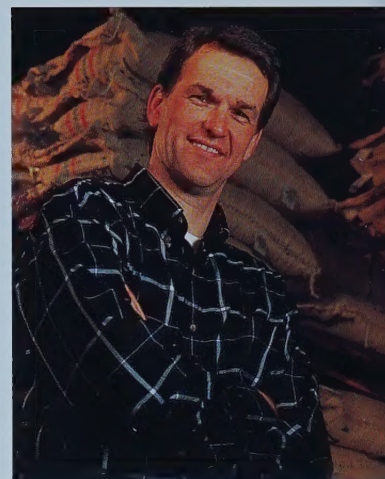
GROWING OUR BOTTOM LINE

Building the Swiss Water® brand makes a big difference to our bottom line. Our growing reputation as the healthier decaffeinated coffee choice has helped us establish long-term relationships with specialty coffee leaders like Second Cup and Starbucks. We’re also attracting major new accounts. In November 2001, we began decaffeinating coffee for all of Tim Hortons’ 2,200 restaurants in North America, helping to grow our core business by 12%.



Raw green coffee beans, and their roasted equivalent.

Superio



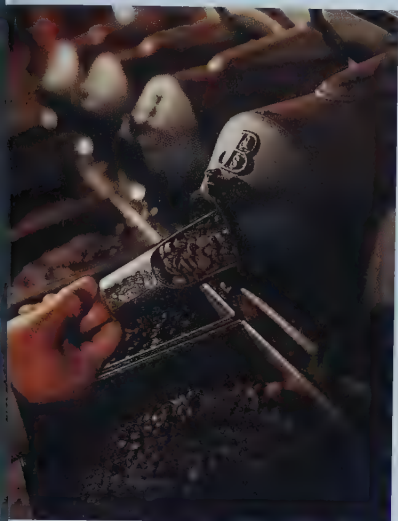
Ben Hieltjes
Vice President of Sales

LEADING OUR TEAM TO SUCCESS

In November 2002, we strengthened our management team with the addition of Ben Hieltjes, a proven sales leader. As our new Vice President of Sales, Ben’s mandate is to develop a cohesive, targeted strategy that will enable us to win new accounts, while providing comprehensive support to our existing customers. He’s already made a positive difference reorganizing our sales territories to provide more precise support to customers, and working with our sales reps to conduct in-depth analyses of their established accounts. By identifying key opportunities, they were able to define sales goals more clearly, and map out appropriate sales strategies. Moving forward, Ben will turn his attention to enhancing customer service and expanding our client list.

Service (=) Superior Sales

At Swiss Water®, we're committed to providing superior sales support to all our customers – from the smallest roaster retailer to large multi-nationals like Kraft Foods – because we believe one of the best ways to grow our sales is by helping our customers grow theirs.



BOOSTING THOSE SALES MARGINS

When Martin Henry, a small Seattle-based roaster retailer, made the decision to carry only Swiss Water® decaffeinated coffees, we recorded initial sales data for comparative purposes. Three weeks after implementing the Swiss Water® launch program, the store's margins had improved dramatically.

Decaf sales volume (by the cup) had grown by 11%, generating a revenue

increase of 18%. Sales of our whole bean decaffeinated coffee had jumped even more; volume was up by 63% and revenue had risen by 97%. The study confirmed one of our key sales propositions; consumers are willing to pay more for a healthier alternative like Swiss Water®.

DELIVERING UNRIVALLED SALES SUPPORT

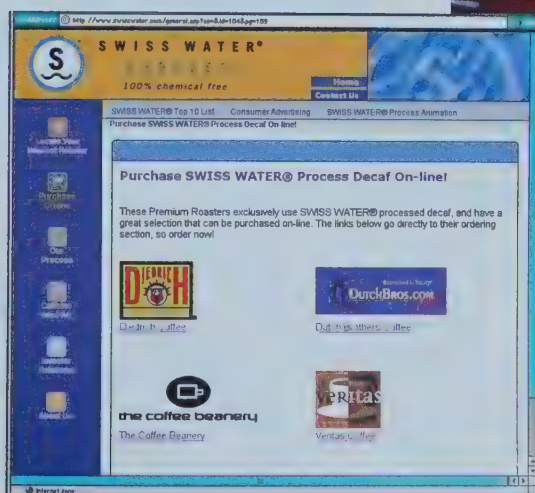
When retailers join our Licensed Vendor program, they tap into a complete marketing system. To help our customers build their sales, Swiss Water®:

provides high-quality point-of-sale merchandise and a decaf education guide for their front-line staff

authorizes them to use our distinctive trademark on all their marketing materials

registers their business on our Retail and Trade locator – a web-based directory that guides consumers to the specialty coffee houses and grocers that sell Swiss Water® Process decaffeinated coffee.

Licensed Vendors also reap some less tangible rewards. Studies show that carrying respected name brands, like Swiss Water®, helps retailers enhance their image, build customer loyalty, and improve profitability.



Taking Responsibility

We're making a positive difference – in the far-off communities where coffee is grown, and closer to home, where we live and work. Because we believe that ultimately, our success is measured by more than the size of our bottom line.

GIVING BACK TO THE COMMUNITY

Beginning in 2003, we've pledged to make substantial monetary contributions to Grounds for Health, Inc. (GFH), an international non-profit organization that provides health care services to coffee-growing communities in Mexico and Central America. GFH's primary focus is on the early detection of cervical cancer, a leading cause of death among women in areas where annual screenings are largely unheard of.

Our financial support will enable GFH to:

- increase the number of at-risk women who receive regular cancer screenings
- expand its health education and support networks
- offer better technical support and training to its partnering physicians
- install computer databases that will allow better evaluation of the program's successes.

In spring 2003, we also plan to introduce a new Mexican (Oaxacan) decaffeinated coffee to our regular offering list. Five cents from every pound sold will be donated to GFH.

RESPECTING THE ENVIRONMENT

We believe in taking responsibility for our actions. One way we've done this is by cutting our waste output.

To reduce our impact on the environment, Swiss Water®:

- recycles paper, plastics, cardboard, metal and glass
- reduces the amount of packaging we produce by re-bagging outgoing decaffeinated coffee in their original bags
- directs all dust and chaff cleaned from our coffee beans to a local compost facility
- uses environmentally friendly stock for all our printed materials and brochures.



Maximizing our Resources

We're committed to getting the most from our resources. And to producing decaffeinated coffee beans of the highest quality. Because we know that a stronger bottom line is about more than just growing our sales. It's also about building sound product value.

PRODUCTIVITY UP, COSTS DOWN

An excellent safety record and extremely low employee turnover have long contributed to our exceptional levels of productivity. In 2002, we implemented a capital investment strategy to improve our extraction rate – the time it takes for green coffee beans to pass through our decaffeination system. By reducing total processing time, we realize three key objectives; lower costs, increased capacity and better tasting coffee.

To kick-off our productivity improvement program, we conducted a comprehensive evaluation of our Burnaby, British Columbia facility. Every stage of the patented Swiss Water® Process – from pre-cleaning, to caffeine removal, to drying and polishing – was intensely scrutinized. By the end of the assessment, our engineering staff had identified 22 “low-cost, high-return” projects that, together, would shave minutes from our decaffeination process. Fourteen months later, we'd completed all 22 initiatives –

on time and on budget. More importantly, we'd boosted productivity significantly, recording year-over-year gains of 11%.

PREPARING FOR FUTURE GROWTH

Our efforts to grow demand for Swiss Water® decaffeinated coffees are generating strong results.

In 2002, we signed new customer contracts, developed new regional markets and recorded increased consumer demand. That's great news. But looking ahead, we'll need to expand our production capacity if we're going to maintain



Jeffrey MacVicar
Plant Manager



the reliable, efficient service our customers have come to depend on. We've already taken steps to maximize throughput at our existing facility. Now we're evaluating other development opportunities.

Over the next 18 - 24 months, we'll grow the Swiss Water® business by:

- building out our Burnaby, B.C. facility
- acquiring more chemical-free decaffeination capacity
- acquiring related “upstream” coffee-handling businesses such as coffee warehousing, drayage and blending facilities

By expanding capacity, we can build our sales potential, increase unitholder value, and be ready to respond to rising demand – no matter how big our market grows.

Management's Discussion and Analysis



*Jeffrey Belford
Chief Financial Officer*

OVERVIEW

Swiss Water® Decaffeinated Coffee Income Fund (the "Fund") was launched on July 24, 2002, when we completed an initial public offering (IPO) and acquired 100% of the common shares and \$45,000,000 of 13.75% unsecured subordinated notes of Swiss Water® Decaffeinated Coffee Company Inc. ("Swiss Water®"). Prior to July 24, 2002, Swiss Water® operated independently as a privately held entity.

Headquartered in Burnaby, British Columbia, Swiss Water® is one of the few chemical free coffee decaffeimators in the world. Our operations are carried out in a leased facility which comprises approximately 38,000 square feet of space and houses the Swiss Water® Process facilities.

CASH DISTRIBUTIONS

The Fund's policy is to make monthly distributions to unitholders, based on 90% of distributable cash generated by Swiss Water®, and to do so on a level basis throughout the year, thereby smoothing out any seasonality. For the period from July 24, 2002 to December 31, 2002, Swiss Water® generated distributable cash of \$0.70 per unit. In keeping with the Fund's policy, distributable cash available to unitholders was 90% of that amount, or \$0.63 per unit. Actual cash distributions of \$0.57 per unit for the period or \$0.11 per unit each month were declared (which is equivalent to \$1.30 per unit on an annualized basis). The surplus \$0.06 per unit reflects the period's strong seasonality and will be accumulated to offset expected shortfalls in less active quarters through the coming year.

OPERATING RESULTS

For the period from July 24, 2002 to December 31, 2002.

No comparative financial information is available for the Fund, as we commenced operations on July 24, 2002.

Generally, the period's results were consistent with management's expectations and in line with budget.

Revenue

A majority of our sales volume, approximately 67% for the 2002 reporting period, is processed under arrangements whereby Swiss Water® charges a processing fee for the decaffeination of green coffee beans belonging to our customers. Swiss Water® does not take title to the green coffee beans we decaffeinate. This revenue is categorized as "toll" business and is comprised entirely of processing revenue.

The remainder of our sales volume is comprised of premium-grade arabica green coffee beans which we purchase from the specialty green coffee trade, decaffeinate, and then sell to our customers. This revenue is categorized as "non toll" business and includes both processing revenue and green coffee cost recovery revenue.

Revenue for the period from July 24, 2002 to December 31, 2002, was \$11.1 million. This is consistent with management's expectations that revenues would trend slightly above the annual revenues disclosed in the Fund's prospectus.

Cost of goods sold

Our cost of goods sold is primarily the cost of green coffee purchased for non toll business, and the plant labour and processing costs directly associated with the production facility.

We source green coffee beans through coffee brokers from coffee-producing countries, mainly in Central and South America, Africa and Asia. Their price is based on the New York "C" coffee commodity price ("NYC"), plus a quality differential. Both the NYC and the quality

differential fluctuate in response to fundamental commodity factors that affect supply and demand. Swiss Water® has hedging strategies in place to minimize the impact of movement in coffee prices between the time we purchase the green coffee beans and the time we sell the decaffeinated green coffee beans to our customers – approximately three months.

Gross profit

Within our discussion and analysis of operations, Swiss Water® reports gross profit as a dollar amount and as a percentage of revenue. Increases or decreases in coffee market prices will generate corresponding increases or decreases in non toll revenue and non toll cost of goods sold. Our hedging strategies help mitigate the effects of coffee market price changes to ensure there is minimal impact on gross profit dollars earned during periods of market volatility.

In periods of significant coffee commodity price (NYC) volatility, total sales and total cost of goods sold increases or decreases may have a significant impact on our gross profit as a percentage of revenue, even though absolute gross profit dollars are generally unaffected. For this reason, when reviewing gross profit performance in any given reporting period, we are primarily focused on the absolute dollar amount of gross profit generated, versus gross profit as a percentage of revenue.

Gross profit for the period from July 24, 2002 to December 31, 2002, totalled \$5.9 million, or 53.6% of sales. This reflects the strength of Swiss Water's toll business and the growth of the Tim Hortons business. In November 2001, Swiss Water® entered into a supply agreement with Kraft Foods to supply all Tim Hortons 2,200 restaurants across North America with their decaffeinated green coffee beans. Gross profit as a percentage of sales is slightly above the levels disclosed in the Fund's prospectus.

Selling and administration expenses

Our selling and administration expenses are comprised of consumer promotion advertising, salaries, and other general and administration costs.

Consumer promotion advertising includes costs related to market research regarding the behaviour of decaffeinated coffee consumers, development of media, print and in-store merchandising programs, and the costs associated with the successful execution of these programs.

Salaries and other general and administration costs include all the compensation costs associated with 15 salaried personnel and the costs to maintain the office infrastructure necessary to support our staff.

For the period from July 24, 2002 to December 31, 2002, consumer promotion and advertising was \$0.5 million, or approximately \$1.1 million on an annualized basis.

Selling and administration salaries expense was \$0.8 million, or approximately \$1.9 million on an annualized basis. This amount reflects the full year impact of the supplementary staff hired to support our strong business growth.

Other selling and administration expenses, which include occupancy costs, professional fees, staff-related travel and miscellaneous overhead charges, totalled \$0.5 million, or approximately \$1.0 million on an annualized basis.

All these expenses are consistent with the levels outlined in the Fund's prospectus and are in line with management's expectations.

Income before interest, depreciation and amortization, fund administration and trustee fees, and provision for income taxes

Income before interest, depreciation and amortization, fund administration and trustee fees, and provision for income taxes (or EBITDA, as

defined in the prospectus) totalled \$4.2 million. EBITDA margin as a percentage of gross sales was 37.6% for the period. This is consistent with management's expectations for the period and consistent with the EBITDA margin levels disclosed in the Fund's prospectus.

Depreciation and amortization for the period was \$0.5 million, or approximately \$1.2 million on an annualized basis, which is in line with management's expectations. This primarily reflects the depreciation of fixed assets related to Machinery and Equipment, which was restated at fair market value upon the Fund's inception.

Fund administration costs are comprised of trustee fees and other expenses required to administer the Fund. These expenses include professional fees, transfer agent costs, investor relations costs and other overhead. Fund administration fees for the period totalled \$0.1 million, which is consistent with management's expectations as disclosed in the Fund's prospectus.

Income before provision for income taxes

Income before provision for income taxes for the period was \$3.5 million. The Fund recorded \$0.3 million of tax expense. This relates entirely to income of Swiss Water® at an effective rate of 34.5%.

Net income

Net income for the period totalled \$3.2 million, or \$0.58 per trust unit.

CASH FLOW AND LIQUIDITY

On July 24, 2002, the Fund completed its IPO, and sold 5.5 million trust units to the public for net proceeds of \$49.7 million. Before purchasing Swiss Water®, the Fund incorporated 615159 B.C. Ltd. (Acquisitionco), a wholly-owned subsidiary of the Fund. Concurrent with the issuance of the trust units, the Fund invested the net proceeds in Acquisitionco by way of subscription for the shares and the purchase

of the Swiss Water® notes. Acquisitionco then acquired all of the outstanding shares of a predecessor of Swiss Water® for an amount equal to the net proceeds of the offering, less the repayment of that company's then outstanding bank debt. Following the acquisition, Acquisitionco and the predecessor amalgamated to form Swiss Water®.

During the period from July 24, 2002 to December 31, 2002, the Fund generated \$3.8 million in cash flow from operations, before changes in non-cash working capital. This was consistent with management's expectations. Additionally, the Fund generated \$0.3 million of cash flow from net changes in non-cash working capital items.

The Fund had capital expenditures of \$0.2 million during the period, which were primarily related to our capacity expansion plans. To date, Swiss Water® has not drawn upon our \$2.0 million capital expenditure line, which remains available to fund future expansion.

The Fund completed the acquisition of Swiss Water® on July 24th, 2002. As noted above, net proceeds of \$49.7 million were used to pay off our outstanding term debt of \$9.6 million, leaving net proceeds of \$40.1 million to purchase the Swiss Water® net assets. Additionally, the Fund declared \$2.5 million in distributions to unitholders for the period.

Together, the transactions outlined above resulted in a net cash increase of \$1.3 million for the period.

We expect cash flow from operations, together with cash balances on hand and unutilized credit facilities, to be sufficient to fund our operating requirements, capital expenditures and anticipated Fund distributions as we go forward.

OUTLOOK

During 2002, Swiss Water® signed agreements with several new accounts to start carrying Swiss Water® brand decaffeinated coffees in 2003. We also implemented a series of strategies to develop brand awareness among consumers. Finally, in November 2002, we strengthened our management team with the addition of Ben Hieltjes, who became our new Vice President of Sales. We're confident these successes, in tandem with our ongoing strategies to build demand for our product, will continue to drive sales growth through the coming year.

FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors outside management's control that could cause actual results to differ materially from those expressed in the forward-looking statements. The Fund does not assume responsibility for the accurateness and completeness of the forward-looking statements and does not undertake any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

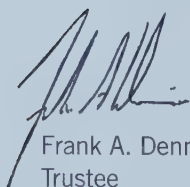
MANAGEMENT'S STATEMENT OF RESPONSIBILITIES

The accompanying consolidated financial statements are the responsibility of management and have been reviewed and approved by the Board of Directors and the Trustees. The consolidated financial statements have been prepared by management, in accordance with Canadian generally accepted accounting principles and, where appropriate, reflect management's best estimates and judgements. Management has also prepared financial and all other information in the annual report and has ensured that this information is consistent with the consolidated financial statements.

The Company maintains appropriate systems of internal control, policies and procedures, which provide management with reasonable assurance that assets are safeguarded and the financial records are reliable and form a proper basis for preparation of financial statements.

The Board of Directors and the Trustees ensure that management fulfills its responsibilities for financial reporting and internal control through an Audit Committee. This committee reviews the consolidated financial statements and reports to the Trustees. The auditors have full and direct access to the Audit Committee.

The consolidated financial statements have been independently audited by Deloitte & Touche LLP, in accordance with Canadian generally accepted auditing standards. Their report below expresses their opinion on the consolidated financial statements of the Fund.



Frank A. Dennis
Trustee

AUDITOR'S REPORT

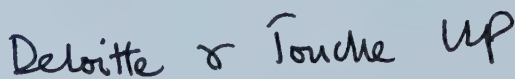
To the Unitholders of

Swiss Water® Decaffeinated Coffee Income Fund

We have audited the consolidated balance sheet of Swiss Water® Decaffeinated Coffee Income Fund (the "Fund") as at December 31, 2002 and the consolidated statements of operations, unitholders' equity and cash flows for the period from July 24, 2002 to December 31, 2002. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2002 and the results of its operations and its cash flows for the period from July 24, 2002 to December 31, 2002 in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Vancouver, British Columbia

March 7, 2003

CONSOLIDATED BALANCE SHEET

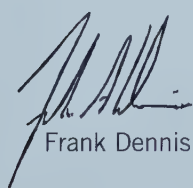
As at December 31, 2002

	2002
ASSETS	
<i>Current Assets</i>	
Cash	\$ 1,340,094
Accounts receivable	2,786,281
Inventory (note 4)	2,058,072
Prepaid expenses	212,825
	6,397,272
<i>Capital Assets</i> (note 5)	11,396,676
<i>Other Assets</i> (note 6)	
Goodwill	28,842,382
Proprietary process technology	9,000,000
Brand	956,096
	\$ 56,592,426
LIABILITIES	
<i>Current Liabilities</i>	
Accounts payable & accrued liabilities	\$ 1,815,613
Income taxes payable	228,911
Distributions payable to unitholders	591,889
	2,636,413
<i>Future Income Taxes</i> (note 8)	4,181,704
	6,818,117
UNITHOLDERS' EQUITY	
<i>Unitholders' Equity</i>	49,774,309
	\$ 56,592,426

Approved by the Trustees:



David Rowntree



Frank Dennis

CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY

For the period from July 24, 2002 to December 31, 2002

	2002
<i>Balance Beginning of Period</i>	\$ —
Issue of Trust Units (note 10)	49,719,589
Net Income for the Period	3,186,005
<i>Distributions Declared</i>	(3,131,285)
<i>Balance End of Period</i>	\$ 49,774,309

CONSOLIDATED STATEMENT OF OPERATIONS

For the period from July 24, 2002 to December 31, 2002

	2002
<i>Sales</i>	\$ 11,083,572
<i>Cost of Goods</i>	5,147,268
<i>Gross Profit</i>	5,936,304
<i>Selling and Administration Expenses</i>	
Consumer promotion and advertising	478,918
Salaries	831,703
Other general and administration	455,353
	1,765,974
<i>Income Before Interest, Depreciation and Amortization, Fund Administration and Trustee Fees and Provision for Income Taxes</i>	4,170,330
<i>Other Expenses</i>	
Interest	4,064
Depreciation and amortization	548,761
Fund administration and trustee fees	143,294
	696,119
<i>Income Before Provision for Income Taxes</i>	3,474,211
Provision for income taxes (note 8)	288,206
<i>Net Income for Period</i>	\$ 3,186,005
<i>Basic and Diluted Net Income per Trust Unit (5,455,200 units)</i>	\$ 0.584

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from July 24, 2002 to December 31, 2002

	2002
<i>Cash Flows from (Used in) Operating Activities</i>	
Net Income for the period	\$ 3,186,005
Items not involving cash	
Depreciation and amortization	548,761
Future income taxes	91,777
	3,826,543
Changes in non-cash operating assets and liabilities	
Accounts receivable	(899,275)
Inventory	266,842
Prepaid expenses	(72,883)
Accounts payable and accrued liabilities	974,884
Income taxes payable	(17,365)
	4,078,746
<i>Cash Flows From (Used in) Investing Activities</i>	
Acquisition, net of cash acquired (note 13)	(40,103,854)
Purchase of capital assets, net	(173,559)
	(40,277,413)
<i>Cash Flows from (Used in) Financing Activities</i>	
Issue of trust units (note 10)	54,552,000
Cost of issuance (note 10)	(4,832,411)
Repayment of long-term debt (note 13)	(9,641,432)
Distributions paid	(2,539,396)
	37,538,761
<i>Increase in Cash and Cash Equivalents</i>	1,340,094
<i>Cash and Cash Equivalents, beginning of period</i>	—
<i>Cash and Cash Equivalents, end of period</i>	\$ 1,340,094
<i>Cash Flows Include the Following Elements</i>	
Income taxes paid	\$ 213,794

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002



SWISS WATER®
PROCESS

1. FORMATION OF THE FUND

Swiss Water® Decaffeinated Coffee Income Fund (the Fund) is an unincorporated open-ended, limited purpose trust established under the laws of the Province of British Columbia by a Declaration of Trust made as at April 3, 2002. The Fund was formed to acquire 100 percent of the common shares and \$45,000,000 of 13.75 percent unsecured subordinated notes of Swiss Water® Decaffeinated Coffee Company Inc. (the "Company"). This acquisition was successfully completed on July 24, 2002. To finance this acquisition, the Fund issued 5,455,200 trust units in a public offering for net proceeds of \$49,719,589, after deducting expenses of the offering.

Each unitholder participates pro rata in distributions of net earnings and, in the event of termination of the Fund, participating pro rata in the net assets remaining after satisfaction of all liabilities. Income tax obligations related to the distribution of net earnings by the Fund are the obligations of the unitholders.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The accompanying consolidated financial statements include the accounts of the Fund and the Company, a wholly-owned subsidiary. Significant intercompany accounts and transactions have been eliminated on consolidation.

Revenue recognition

Revenues are recognized when goods are shipped and title has passed to the customer.

Capital assets and depreciation

Capital assets are recorded at cost. Depreciation is provided on the straight-line basis over the following periods:

Machinery and equipment	10 years
Leasehold improvements	15 years
Computer software	5 years
Computer hardware	5 years
Furniture and fixtures	5 years

Inventory

Inventory is recorded at the lower of average cost and net realizable value. Average cost includes a component of realized and unrealized gains and losses on commodity forward contracts for inventory on hand.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

Transactions undertaken in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into Canadian dollars at the exchange rate prevailing at the balance sheet date. Currency gains and losses are included in the results of operations in the year in which they occur.

The operations of the Company's integrated foreign subsidiary (Swiss Water® Decaffeinated Coffee Company USA Inc.) are translated using the Canadian dollar as the basis of measurement. Monetary items are translated at the rate of exchange in effect at the balance sheet date. Non-monetary items are translated at their historical rate and revenue and expense items are translated at the average rate for the period. Translation gains and losses are included in the results of operations for the period.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes

The Fund's subsidiary computes income taxes using the asset and liability method, under which future income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. Future tax assets and liabilities are measured using currently enacted tax rates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Goodwill

Goodwill reflects the price paid for the Swiss Water® business in excess of the fair market value of net tangible assets and identifiable intangible assets acquired. In accordance with the recommendations of the CICA Handbook Section 3062, goodwill is not amortized but will be tested for impairment annually. Any excess of the carrying amount over the fair value of goodwill is charged to income.

Intangible assets

Intangible assets represent the fair market value of the Company's proprietary process technology used in decaffeination of green coffee and the fair market value of the Company's brand. Proprietary process technology is not amortized but will be tested for impairment annually with any excess of the carrying value amount over the fair value of the proprietary process technology charged to income. Brand is amortized over 10 years on a straight-line basis.

Financial instruments

Commodity forward contracts are used by the Company to manage the economic exposure to fluctuations in the price of green coffee beans. Gains and losses on commodity forward contracts are recognized when related raw material costs are charged to cost of sales and are deferred as a component of inventories if the inventory is on hand.

The Company manages a portion of its foreign exchange exposure through the use of forward exchange contracts. Gains and losses on these contracts are recognized in the same period as the income or expense arising from the corresponding hedged position.

Net income per Trust unit

Consistent with the manner in which distributions are paid, net income per trust unit is calculated monthly based on the number of trust units outstanding on each record date. Net income per trust unit presented is the sum of the monthly earnings per trust unit for the reporting period.

3. LINE OF CREDIT

The Company has a \$3,000,000 line of credit bearing interest at the bank prime lending rate plus 0.75 percent. The available line of credit is collateralized as described in Note 7.

4. INVENTORY

	December 31, 2002
Raw materials	\$ 1,298,886
Finished goods	636,768
Realized and unrealized loss (gain) on forward contracts	122,418
	<u>\$ 2,058,072</u>

5. CAPITAL ASSETS

December 31, 2002			
	Cost	Accumulated Depreciation	Net Book Value
Machinery and equipment	\$ 10,805,033	\$ 454,792	\$ 10,350,241
Leasehold improvements	636,590	17,912	618,678
Computer software	306,372	25,691	280,681
Computer hardware	58,070	4,494	53,576
Furniture and fixtures	25,981	2,193	23,788
Construction in progress	69,712	—	69,712
	\$ 11,901,758	\$ 505,082	\$ 11,396,676

6. OTHER ASSETS

December 31, 2002			
	Cost	Accumulated Amortization	Net Book Value
Goodwill			
Original	\$ 12,492,340	\$ —	\$ 12,492,340
Acquisition (note 13)	16,350,042	—	16,350,042
Total goodwill	\$ 28,842,382	\$ —	\$ 28,842,382
Proprietary process technology			
Original	\$ 5,500,000	\$ —	\$ 5,500,000
Acquisition (note 13)	3,500,000	—	3,500,000
Total proprietary process technology	\$ 9,000,000	\$ —	\$ 9,000,000
Brand (note 13)	\$ 1,000,000	\$ 43,904	\$ 956,096

7. LONG-TERM DEBT

The Company has a \$2,000,000 non-amortizing term Capital Expenditure Facility due July 23, 2005. The Capital Expenditure Facility will be used to assist the Company fund expansionary capital expenditures. To date, the Company has expended \$163,895 on expansionary capital but has not yet drawn the Capital Expenditure Facility to fund these costs.

The Capital Expenditure Facility is held with a Canadian chartered bank, bears interest at prime plus 1.25%. The credit agreement includes an operating line of credit (see Note 3) and both facilities are collateralized by a general security agreement over all of the assets of the Company.

8. INCOME TAXES

Income tax obligations relating to distributions from the Fund are the obligations of the unitholders and, accordingly, no provision for income taxes on the income of the Fund has been made. A provision for income taxes is recognized for the Company, Swiss Water® Decaffeinated Coffee Company Inc., as the Company is subject to tax, including large corporation taxes. The provision for the period is divided between current and future taxes as follows:

	July 24, 2002 to December 31, 2002
Current income taxes	\$ 196,429
Future income taxes	91,777
	<u>\$ 288,206</u>

The provision for income taxes varies from the amount that would be expected if computed by applying the Canadian federal and provincial statutory income tax rates to the earnings before income taxes as shown in the following table:

	July 24, 2002 to December 31, 2002	
Net income before incomes taxes	\$ 3,474,212	
Net income of the Fund subject to tax in the hands of recipient	2,638,338	
Net income of subsidiary company	835,874	
Expected provision for income taxes	297,571	35.6%
Disallowed portion of brand amortization	15,630	1.9%
Other adjustments	(24,995)	(3.0%)
Income tax expense	288,206	34.5%

The tax effects of temporary differences that gave rise to future income tax liabilities consist of the following at December 31:

	December 31, 2002
Future income tax liabilities	
Goodwill and proprietary process technology	\$ 719,363
Other	(25,026)
Capital assets	3,487,367
	<u>\$ 4,181,704</u>

9. EMPLOYEE BENEFITS

The Company provides pension benefits to employees through a defined contribution plan. Pension benefit contributions for the period from July 24, 2002 to December 31, 2002 amounted to \$51,978.

10. UNITHOLDERS' EQUITY

An unlimited number of trust units may be issued by the Fund pursuant to the Fund's declaration of trust. Each unit is transferable and represents an equal, undivided beneficial interest in any distributions from the Fund and in the net assets of the Fund. All units are of the same class with equal rights and privileges and are not subject to future calls or assessments. Each unit entitles the holder to one vote at all meetings of unitholders. Trust unit transactions during the period were as follows:

	Number of units	Gross proceeds	Issuance costs	Net proceeds
Initial issuance of trust units	5,455,200	\$ 54,552,000	\$ 4,832,411	\$ 49,719,589

11. COMMITMENTS

The Company has entered into operating lease agreements, primarily for office space and equipment. Future minimum lease obligations are as follows:

2003	\$ 250,563
2004	260,826
2005	260,826
2006	260,826
2007 and thereafter	369,504
	<u>\$ 1,402,545</u>

In addition, the Company has entered into a purchase contract for \$332,613 U.S. dollars related to the planned dryer installation.

12. FINANCIAL INSTRUMENTS

The Fund's financial instruments consist primarily of cash, accounts receivable, accounts payable, long-term debt and the contracts described below, all of which have a fair value approximately equal to carrying value. The carrying values of cash, accounts receivable and accounts payable approximate their fair values due to the immediate or short-term maturity of these financial instruments.

Commodity risk

The Company utilizes certain forward contracts to manage its commodity price exposure. The Company sells commodity forward contracts for coffee beans on the NYC exchange in order to manage its commodity price exposure. As at December 31, 2002 the Company had sold forward contracts for 1,387,500 lbs of green beans, with the contracts maturing in March 2003 through December 2003. The unrealized gain related to these future contracts at December 31, 2002 was \$135,805 and has been classified in inventory on the balance sheet. The Company does not engage in trading or other speculative use of these financial instruments.

Foreign currency risk

The Company realizes a significant portion of its sales in foreign currencies, principally U.S. dollars. During the year, the Company entered into forward exchange contracts to manage exposure to currency rate fluctuations related primarily to its future net cash flows of U.S. dollars from sales. The purpose of the Company's foreign currency hedging activities is to minimize the effect of exchange rate fluctuations on business decisions and the resulting uncertainty on future financial results. At December 31, 2002, the Company had forward exchange contracts to purchase \$4,050,000 U.S. dollars from January 2003 through November 2003 at various Canadian exchange rates ranging from 1.55 to 1.60. At December 31, 2002, the net unrealized gain on the foreign exchange contracts was approximately \$13,600.

Interest rate risk

The Company is exposed to interest rate risk arising from fluctuations in interest rates on its long-term debt as described in Note 7.

12. FINANCIAL INSTRUMENTS (continued)

Credit risk

The Company is exposed to credit risk with respect to its accounts receivable; however, this is minimized by the Company's large customer base. The Company follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary.

13. ACQUISITION

On July 24, 2002 the Fund issued 5,455,200 trust units in a public offering for net proceeds of \$49,719,589. Before purchasing the Company, the Fund incorporated 615159 B.C. Ltd. (Acquisitionco), a wholly-owned subsidiary of the Fund. Concurrently with the issuance of the trust units, the Fund invested the net proceeds in Acquisitionco by way of subscription for the shares and the purchase of the Swiss Water® notes. Acquisitionco then acquired all of the outstanding shares of a predecessor to the Company for an amount equal to the net proceeds of the offering, less the repayment of the predecessor company's then outstanding bank debt.

Following the acquisition, Acquisitionco and the predecessor company amalgamated to form the Swiss Water® Decaffeinated Coffee Company Inc. (the Company). The Fund owns 100% of the common shares of the Company.

The acquisition has been accounted for using the purchase method of accounting and the Fund has consolidated the results of operation of the Company commencing July 24, 2002. The excess of the purchase price paid by the Fund through Acquisitionco over the underlying book value of the assets and liabilities the Company has been determined as follows:

Net proceeds	\$ 49,719,589
Less repayment of outstanding term debt	(9,641,432)
Bank indebtedness assumed	25,697
Net purchase price	40,103,854
Net assets of Swiss Water®, at book value	(13,135,812)
Purchase price discrepancy	\$ 26,968,042
Allocated as:	
Goodwill	16,350,042
Proprietary process technology	3,500,000
Brand	1,000,000
Capital assets	9,500,000
Future income taxes	(3,382,000)
	\$ 26,968,042

14. SEGMENTED INFORMATION

The Company's sales are primarily generated in the following geographic markets:

	July 24, 2002 to December 31, 2002
Revenue	
Canada	\$ 3,310,101
United States	6,747,966
Other	1,025,505
	\$ 11,083,572

Revenues from two major customers of \$1,677,063 and \$841,926 represented 15% and 8%, respectively, of total revenues for the period from July 24, 2002 to December 31, 2002.

15. DISTRIBUTABLE CASH

The Fund's policy is to distribute 90% of its distributable cash each month excluding any reserve deemed prudent by the trustees of the Fund and by the Board of the Company. Distributable cash is not a defined term under Canadian generally accepted accounting principles but is determined as net income for the period, adjusted to remove non-cash expenses including depreciation, amortization and future income taxes and reduced by maintenance capital expenditures. Non-maintenance capital expenditures are not recorded as a reduction from distributable cash flow as these expenditures are fundable through the Company's committed term-credit facilities as described in Note 7.

The Company defines maintenance capital expenditures as cash outlays required to maintain the plant at its current operating capacity and efficiency level. Non-maintenance capital expenditures are defined as cash outlays required to increase business operating capacity or improve operating efficiency.

Based on the above definition, distributable cash for the period from July 24, 2002 to December 31, 2002 was calculated as follows:

	July 24, 2002 to December 31, 2002
Net income	\$ 3,186,005
Add:	
Depreciation and amortization	548,761
Future income taxes	91,777
	3,826,543
Less:	
Maintenance capital expenditures	9,664
Distributable cash	\$ 3,816,679
Distributable cash @ 90%	\$ 3,435,191
Distributions, paid or payable	\$ 3,131,285
Distributable cash generated per unit	\$ 0.6996
Distributable cash generated per unit @ 90% pay-out	\$ 0.6297
Distributions declared per unit	\$ 0.5740

Trustees

David J. Rowntree - Chairman
Managing Director, Tricor Pacific Capital

David is a founder and principal of Tricor Pacific Capital, a private equity investment firm. Prior to joining Tricor, David was Associate Counsel with Stikeman Elliot, a Canadian-based global law firm, where his clients included companies in soft drink, beer and financial services industries. David holds a B.A. from the University of B.C. and a Bachelor of Law from Osgoode Hall Law School in Toronto, Ontario.

Ronald Faithfull
Retired

Ron, a retired business executive, brings extensive food industry experience to Swiss Water®. His past roles include President of Burns Meat, and President of SERCA Foodservice Inc. Western Division, where he oversaw six branches, 700 employees and \$600 million in sales. In addition to serving on our board of trustees, Ron is a director of Nuburn Capital Corporation, a private investment group.

Daniel A. Sitnam
President and CEO, Helijet International Inc.

Daniel is the founder of Helijet International Inc., the most successful scheduled helicopter service in North America. In his capacity as President and CEO, he oversees all financial, commercial and operational facets of the company, as well as its respective operating units, Helijet Charters and Pacific Helijet Services. Daniel has received several awards and much recognition within the business community for his entrepreneurial accomplishments.

Scott Svenson
Managing Partner, Sienna Partners, LLC

Scott is the founder and Chairman of Sienna Partners, LLC, a private investment group based in Seattle and London. As founder and CEO of the U.K.-based Seattle Coffee Company (subsequently sold to Starbucks in May 1998) and past President of Starbucks Europe, he brings extensive coffee industry experience to Swiss Water®. Scott graduated from Harvard University with honors and sits on a diverse range of corporate boards.

Frank Dennis
President and CEO, Swiss Water®

Frank has led Swiss Water® since it separated from Kraft Foods in 2000. A proven brand-builder, Frank has worked within the coffee industry for more than 10 years. Past positions include Business Director of Kraft Foods Coffee Division, where he oversaw the growth of the Swiss Water® brand and the development of brands such as Nabob and Maxwell House. Frank holds a B.A. from the University of Western Ontario and an M.B.A. from the University of Toronto.

Jeffrey Belford
Chief Financial Officer, Swiss Water®

Jeff brings more than 15 years of financial experience to Swiss Water®, including seven years with Kraft Foods. In 1996, he joined Descente North America Inc., a manufacturer of golf and ski apparel, as Director, Finance and Operations. He returned to Swiss Water® in 2000 as CFO. Jeff holds a Bachelor of Commerce degree from the University of Toronto and a Chartered Accountant designation.

CORPORATE INFORMATION

SWISS WATER® DECAFFEINATED
COFFEE COMPANY INC.

OFFICERS

Frank Dennis
President & Chief Executive Officer

Jeffrey Belford
Chief Financial Officer

Jeffrey MacVicar
Plant Manager

Dave Wong
Controller

DIRECTORS

Frank Dennis
President & Chief Executive Officer

Jeffrey Belford
Chief Financial Officer

Ronald Faithfull
Retired Food Service Industry Executive

Daniel A.J. Sitnam
President & Chief Executive Officer
Helijet International Incorporated

Scott Svenson
Managing Partner
Sienna Partners, LLC

David Rowntree
Managing Director
Tricor Pacific Capital Inc.

HEAD OFFICE

3131 Lake City Way
Burnaby, British Columbia
V5A 3A3

www.swisswater.com

SWISS WATER® DECAFFEINATED
COFFEE INCOME FUND

TRUSTEES

David Rowntree
Chairman of the Board of Trustees
Managing Director
Tricor Pacific Capital Inc.

Frank Dennis
President & Chief Executive Officer
Swiss Water® Decaffeinated
Coffee Company Inc.

Jeffrey Belford
Chief Financial Officer
Swiss Water® Decaffeinated
Coffee Company Inc.

Ronald Faithfull
Retired Food Service Industry
Executive

Daniel A.J. Sitnam
President & Chief Executive Officer
Helijet International Incorporated

Scott Svenson
Managing Partner
Sienna Partners, LLC

INVESTOR RELATIONS

Jeffrey Belford
604-444-8780
jbelford@swisswater.com

AUDITORS

Deloitte & Touche LLP
Vancouver, British Columbia

UNITS LISTED

The Toronto Stock Exchange
Trading Symbol: **SWS.UN**

TRANSFER AGENT

Computershare Trust
Company of Canada

ANNUAL GENERAL MEETING

Tuesday, May 6, 2003
1:30 pm
The Four Seasons Hotel
791 West Georgia St.
Vancouver B.C.



SWISS WATER®
PROCESS



SWISS WATER®
PROCESS